

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: GABE OSBURN, DEPUTY DIRECTOR OF DEVELOPMENT SERVICES
SUBJECT: PLANNING AND ECONOMIC DEVELOPMENT
FOURTH AMENDMENT TO PROFESSIONAL SERVICES AGREEMENT F01622A WITH BUREAU VERITAS NORTH AMERICA, INC., ATASCADERO, CA, WAIVING THE COMPETITIVE SELECTION PROCESS PER COUNCIL POLICY 600-01, EXTENDING THE TERM OF THE AGREEMENT, AND INCREASING COMPENSATION BY \$1,000,000 FOR A TOTAL NOT TO EXCEED AMOUNT OF \$14,717,399 FOR POST-FIRE RECOVERY AND REBUILD SERVICES

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Planning and Economic Development Department that the Council, by resolution, 1) waive the competitive selection procedures in Council Policy 600-01 in the best interests of the City; and 2) approve the Fourth Amendment to Professional Services Agreement F01622A (formerly F01622) with Bureau Veritas North America, Inc., Atascadero, CA to extend the time for performance under the Agreement to March 31, 2021 and increase compensation by \$1,000,000, for a total amount not to exceed \$14,717,399.

EXECUTIVE SUMMARY

Since December 2017, staff from the City of Santa Rosa and Bureau Veritas North America, Inc. have provided a variety of permit processing, plan check and inspection services for the repair and reconstruction activities associated with the Tubbs Fire. Over 2,300 permits have been processed to date, resulting in approximately 85,000 inspections. The proposed Fourth Amendment will increase the budget associated with the Professional Service Agreement with Bureau Veritas by \$1,000,000, for a revised total not to exceed amount of \$14,717,399, to continue providing the appropriate staffing levels to meet commitments associated with plan review and inspection turnaround times. It also extends the time for performance under the Agreement to allow the Consultant to continue working through March 31, 2021.

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It is anticipated that the current proposal will provide the appropriate staffing levels to support the 800 units currently under construction without implementing significant changes to the current inspection program. The additional allocations will also allow for the continuance of the existing expedited plan review program and allow the Resilient City Permit Center to address seasonal peaks associated with new application submittals. Upon termination of the proposed 4th contract amendment, the Planning and Economic Development Department is proposing to incorporate all rebuilding activities into the standard citywide development services and avoid the future reliance on a dedicated professional services contract to support rebuild requests. It is anticipated that the transitioning of services will occur during the first quarter of calendar year 2021. The Planning and Economic Development Department will continue to prioritize rebuilding permits as specified in the extended Resilient City Development Measures.

BACKGROUND

Prior to the widespread destruction of the wildfires in October 2017, the City was highly focused on expanding its available housing stock. With the loss of homes due to the fires, it was critical that the City created additional staffing capacity to ensure production of housing citywide while at the same time expeditiously facilitating the rebuilding of destroyed homes and businesses. In response, the City issued a Request for Proposals for Post-Fire Recovery and Rebuilding Assistance (RFP #17-85) on November 8, 2017 to solicit bids from consulting firms with specialized and licensed staff to perform all aspects of the plan check review, approval and inspection work for those affected by the fires. A Professional Services Agreement with Bureau Veritas North America, Inc., Atascadero, CA, was approved by City Council on November 21, 2017 to support fire rebuilding services for a two-year period with an amount not to exceed \$8,886,160.

After execution of the Agreement, PED began taking the necessary steps to set up a dedicated location where individuals affected by the fire could obtain information and services associated with the rebuilding process. The Resilient City Permit Center (RCPC) was open to the public on December 1, 2017. Since the opening of RCPC, staff from the City and Bureau Veritas have processed over 2,300 permits for individual residential units that experienced complete destruction and conducted approximately 85,000 inspections. Approximately 80% of the residential units damaged by the fire have either completed construction, are in the construction phase, or have a permit under review.

PRIOR CITY COUNCIL REVIEW

On November 21, 2017, the City Council authorized the approval of a Professional Services Agreement F01622A with Bureau Veritas North America, Inc. for \$8,886,160 to perform post-fire recovery and rebuilding services for a two-year period.

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On March 12, 2019, the City Council authorized 1) the approval of an Amendment to Agreement F01622A to increase compensation by \$377,052 for a total amount not to exceed \$9,263,212; and 2) to amend the Fiscal Year (FY) 2018-19 adopted budget to increase appropriations for plan check and inspection professional services in the amount of \$4,357,322, which was offset by an increase in associated fee revenue.

On August 27, 2019, the City Council authorized 1) waiver of the competitive selection procedures in Council Policy 600-01 in the best interests of the City; and 2) approval of the Second Amendment to Professional Services Agreement F01622A with Bureau Veritas North America, Inc., Atascadero, CA increasing compensation by \$1,409,187 for a total amount not to exceed \$10,672,399.

On December 10, 2019, by Resolution RES-2019-184, Council approved a Third Amendment to the Agreement to increase compensation by \$3,045,000, for a revised total amount not to exceed \$13,717,399.

ANALYSIS

The significant volume of permit application submittals and inspection requests and associated revenue received in calendar year 2018 resulted in the dedication of a higher number of staff hours than originally projected, thus requiring staff to request a First Amendment to increase compensation by \$377,052 earlier than it was initially projected. The First Amendment approved by Council on March 12, 2019 allowed for sufficient funding to provide services until July 2019. The RCPC continued to provide higher than projected services due to the significant volume of housing units currently under construction and Council approved a Second Amendment for an additional \$1,409,187 RCPC to maintain current service levels into November 2019, bringing the revised not to exceed amount of the Agreement to \$10,672,399. A Third Amendment was approved to extend the term of the Agreement through December of 2020 to allow staff to determine next steps for providing these services.

With approximately 600 parcels still inactive in the rebuild areas and 800 units currently under construction, dedicated plan check and inspection services are still necessary to avoid impacts to service delivery, thus requiring a Fourth Amendment. Staff estimates that an additional \$1,000,000 in compensation is necessary to continue to provide expedited plan check and inspection services for a revised total not to exceed of \$14,717,399.

Staff continues to anticipate that all expenditures associated with the Third and Fourth Amendments will be offset by the plan check and inspection fees associated with the future rebuild permits. The average building permit fee package for a single family rebuild has increased to approximately \$7,000 due to increases in the average home size. Fee averages for the first two years of the rebuild fell within the range of \$5,000 to \$6,000 per building permit. Based on the total number of inactive parcels and the average permit fee for the type of home that will be constructed on the remaining

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parcels, staff is anticipating that the full build out of the remaining lots will generate an additional revenue of \$3,500,000. However, it is unclear as to the timing of when the City will receive this revenue since it is based upon when the permit is submitted by the homeowner or developer and when the site commences the construction process. Commercial rebuilds continue to provide a much higher fee due to the increase in square footage and complexity in design and will further increase the overall revenue. The remaining commercial parcels may not redevelop in a fashion similar to the use that existed prior to the fires and revenue generated by future commercial rebuilds is difficult to project at this point in time. The proposed action will not result in any increase to the plan check or inspection fees associated with rebuild permits.

The activity levels in the rebuilding areas have shifted over the last three years and modifications to the staffing levels in the RCPC have adjusted recently to track with the needs of the community. The RCPC reviewed a peak of 217 new permits in August of 2018 and averaged an intake of 120 new rebuild permits in calendar year 2018 and 52 new permits in calendar year 2019. New permit submittals and plan review activity has steadily reduced over the last 9 months and the RCPC currently receives an average of 10 new rebuild permits per month. Based on the current activity levels, staffing resources within the permit intake, review and processing sections have been reduced by 60% to track with the current demands.

Construction activity continues to commence at a high level and has not experienced dramatic reductions from activity levels experienced in calendar years 2018 and 2019. Over 800 units are currently under construction within the rebuild areas and the RCPC continues to perform at an average of 100 inspections per day. Inspections within the public right-of-way have reduced due to a reduction in dry utility restoration and the overall reduction in the level of activity in the Coffey Park area. Inspection staffing has been reduced by 30% to account for these trends.

Staff continues to meet regularly with residents in the rebuild area, along with developers, to understand the interests and concerns of those who have yet to submit permits. It is expected that the majority of outstanding parcels will eventually submit a permit to rebuild, but due to a variety of circumstances, these may manifest at different times. Staff continues to monitor the trends associated with the rebuilding process and adjust staffing levels and resource dedication accordingly.

The RCPC will soon complete its 3rd year in operation and significant progress has been made to complete the recovery process. Approximately 80% of the residential units lost in the 2017 wildfires are in some phase of the rebuilding process and almost 50% of the lost dwelling units have been completely restored. Upon termination of the proposed 4th amendment, staff is proposing to incorporate all rebuilding related plan review and inspection requests into PED's core service portfolio. The shift in service delivery will remove the reliance on professional services to provide the core rebuilding support and will result in a closure of the RCPC. It is anticipated that the closure of the RCPC will commence during the first quarter of calendar year 2021. Significant structural changes

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within the RCPC have been implemented over the last year to ease the transition and reduce potentially impacts to the public. PED will continue to prioritize rebuild permits in a fashion consistent with the extended Resilient City Development Measures and make every effort to meet previous commitments associated with plan review and inspection request turnaround times. However, due to the reduction in staffing capacity associated with the removal of professional services, turnaround times may temporarily increase during periods of peak activity.

Waiver of Competitive Bid – Council Policy 600-01

Council Policy 600-01 requires a competitive process prior to selection and award of professional services agreements. Article 4.1.2 of Council Policy 600-01 states that the City Council may waive this process if the Council finds it is in the best interests of the City to do so. The competitive process required by Council Policy 600-01 includes the execution of a Request for Proposals (RFP) that is sent out to multiple agencies and the required receipt of at least three competitive bids from which a selection can be made. The City executed RFP #17-85 in November 2017, of which Bureau Veritas, Inc. was selected as the vendor to support post-fire rebuilding services.

Staff believes it is in the best interests of the City to enter into an amendment with Bureau Veritas, Inc. without engaging the competitive process as specified under Policy 600-01 because Bureau Veritas possesses the history, expertise and knowledge that is required to seamlessly continue providing post-fire plan review and inspection services. In addition, its budget, timeline, and scope of work have been deemed acceptable by PED.

FISCAL IMPACT

The \$1,000,000 in funding for this Fourth Amendment will be appropriated from unassigned General Fund reserves, thereby reducing reserves by that amount in fiscal year (FY) 2020-21. The General Fund will be reimbursed for the \$1,000,000 through the collection of plan check and inspection fees as the rebuild process continues over the next several fiscal years.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

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NOTIFICATION

Not applicable.

ATTACHMENTS

- Resolution/Exhibit A – Fourth Amendment with Bureau Veritas North America, Inc., Atascadero, CA

CONTACT

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